F760002-0361 Pet 15-2 Libya

Department of State

TELEGRAM

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INFO OCT-01 EUR-20 E-11 COM-08 INT-08 OEP-01 SS-14 L-03
H-02 NSC-10 CIAE-00 DODE-00 INR-06 NSAE-00 P-03
RSC-01 USIA-12 PRS-01 TRSE-00 OPIC-12 AID-20 IGA-02
OMB-01 RSR-01 /155 W 078913

R 06:445Z SEP 72
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 9168
INFO AMEMBASSY LONDON

C O N F I D E N T I A L TRIPOLI 1435

SUBJECT: PETROLEUM: BUNKER HUNT/AGEC RELATIONS

REF: TRIPOLI 1174 Pet 15-2 Libya xr Def 12-5 Libya

1. [ ] GAVE ECON OFFICER FOLLOWING RUNDOWN ON COMPANY'S RELATIONS WITH ARAB GULF EXPLORATION COMPANY (AGEC) SEPT 5.

2. [ ]

3. UNTIL RECENTLY AGEC AND BUNKER HUNT HAVE BEEN SHARING 230,000 BBLS/DAY ALLOWABLE 50-50, AGEC'S 115,000 BBPE/DAY JUST ABOUT COVERING EXISTING CRUDE EXPORT DEALS WITH BULGARIA, SOVIET UNION AND ROMANIA. [ ] THAT LAST WEEK HE INFORMED THAT FOR SEPTEMBER AGEC TANKER NOMINATIONS WOULD ACCOUNT FOR 130,000 BBLS/DAY. [ ] CONCERNING IMPLICATIONS OF INCREASED AGEC FIGURE. DOES IT MEAN BH ALLOWABLE IS IN EFFECT BEING CUT, OR THAT TOTAL SARIR ALLOWABLE WILL BE INCREASED ACCORDINGLY? [ ] AGEC [ ]

Classification Extended By: C.E. McManaway A/CDC P800117-1414 8/11/1980 PDS-3 9/4/84

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DEPARTMENT OF STATE A/CDC/HR 3/4/82

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[redacted] OFF TAKE FIGURE IS FAIT ACCOMPLI AND [redacted] AGEC/BH IS LOOKED UPON AS BY OTHER COMPANY AND ALLOWABLES ARE FIXED AND NOT SUBJECT TO NEGOTIATIONS. IMPLICATION WOULD SEEM TO BE THAT BH ALLOWABLE NOW REDUCED TO 1000,000 BBLS/DAY. CRUNCH WILL NOT COME THIS MONTH [redacted] BECAUSE AGEC HAS ENOUGHT CRUDE IN STORAGE TO ALLOW BH FULL 015,000 BBLS/DAY OFFTAKE. REAL DIFFICULTY WILL COME NEXT MONTH. B1

[redacted] ALSO CONJECTURED THAT INCREASE IN AGEC OFFTAKE MAY MEAN THAT LONG-SUSPENDED AGREEMENT WITH JUGOSLAVS NOW SIGNED.

[redacted] APPROXIMATELY 20 LIBYAN SENIOR TECHNICAL EMPLOYEES WHO WERE COMPULSORILY SECONDED FROM OTHER OIL COMPANIES HERE TO AGEC IN WAKE OF BP NATIONALIZATION HAVE NOW BEEN RETURNED TO THEIR ORIGINAL COMPANIES. [redacted] IN ADDITION TO 5 AMERICANS AT AGEC THERE WAS A MIXED BAG OF EXPATRIATES INCLUDING BRITISH AND ROMANIANS AND MANY EGYPTIANS BUT AS YET NO RPT NO SOVIETS. [redacted] AGEC PLAN WAS EVIDENTLY TO COMPENSATE FOR LCK OF QUALITY IN TECHNICAL EMPLOYEES BY INCREASING QUANTITY. AFTER DECLINE IN WORK FORCE AFTER NATIONALIZATION, COMPLEMENT AT SARIR AND TOBRUK NOW CLOSED TO THE 64m WORKERS EMPLOYED PRIOR TO NATIONALIZATION. FROM LOOK OF HOUSING UNITS AND CAFETERIAS BEING BUILT AGEC MAY BE THINKING OF INCREASING COMPLEMENT TO NEAR 1,000. B1

COMMENT: OBVIOUSLY AGEC/BH RELATIONS ARE UNEASY. ONE GETS THE IMPRESSION THAT BH OPERATING ON SUFFERANCE ALONE, AND THAT AS AGEC IS INCREASINGLY SUCCESSFUL IN MARKETING MORE AND MORE SARIR CRUDE, BUNKER HUNT'S SHARE WILL BE CUT CORRESPONDINGLY. BH HAS, OF COURSE, NO WRITTEN WORKING AGREEMENT WITH THE AGEC AND THIS HAS BEEN THE RESULT OF REFUSING TO MARKET CRUDE BEYOND WHAT BH TOOK PRIOR TO BP'S NATIONALIZATION. THIS IS APPARENTLY ONE CASE WHERE THE LIBYANS ARE NOT ACTING PRECIPITOUSLY, BUT CALMLY TURNING DOWN THE TAP. ADDITIONALLY, OF COURSE, LACK OF WRITTEN AGREEMENT WITH LIBYAN AND GENERALLY

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STRAINED STATE OF RELATIONS MEANS BH WOULD BE PARTICULARLY VULNERABLEIN ANY PARTICIPATION TEST CASE. AMB.
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Pet 17-2 It-Libya

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INFO OCT-01 EUR-20 NSC-10 CIAE-00 DODE-00 INR-06 NSAE-00
P-03 RSC-01 USIA-12 PRS-01 L-03 E-11 COM-08 INT-08
OEP-01 T-03 OMB-01 RSR-01 /108 W
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R 110922Z SEP 72
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 9185
INFO AMEMBASSY ROME
AMEMBASSY LONDON

C O N F I D E N T I A L TRIPOLI 1457

SUBJECT: LARG/ENI NEGOTIATIONS

REF: TRIPOLI 1010 Pet 17-2 It-Libya xr Def 12-5 Libya xr Pet 14 Libya xr Pol 33-5 Libya-Tunis

1. [redacted] INFORMS ME THAT [redacted] ABOUT SIX WEEKS AGO IT APPEARED THAT ENI HAD REACHED FULL AGREEMENT WITH LARG RE FUTURE OPERATION FORMER'S A100 CONCESSION. FULL AGREEMENT HAD BEEN REACHED RE PARTICIPATION (50-50), COMPENSATION AND PRICING OF CRUDE. MANAGEMENT WOULD BE EFFECTIVELY IN ENI'S HANDS.

2. [redacted] AGREEMENT COVERED NOT ONLY PRODUCING A100 FIELD BUT ALSO A SECOND CONCESSION AREA (A101) IN WHICH ENI HAD DRILLED NUMBER OF DRY HOLES. WHEN AGREEMENT SENT TO RCC FOR FINAL CONCURRENCE, LATTER BALKED AT COMPENSATING ENI FOR HALF ITS EXPENSES IN DUD CONCESSION AREA AND INSISTED ENI MAKE NEW COMPENSATION PROPOSAL RELATING ONLY TO A100 FIELD. THIS ENI HAS DONE AND IS NOW AWAITING LARG'S REPLY.

3. COMMENT: WITH LARGE INFRASTRUCTURE INVESTMENT IN WELLS, PIPELINES AND GAS AND WITH ENTIRE OPERATION STILL IDLE, ENI IS IN UNENVIABLE BARGAINING POSITION.

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APPARENT CASE WITH WHICH COMPANY BOWED TO LATEST LARG
DEMANDS UNDERLINES THIS POINT. NEVERTHELESS, IT WOULD
APPEAR THAT AGREEMENT MAY BE
NEAR.
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TR	XMB	AIR
ARMY 2	CIA 16	NAVY 7
OSD 21	USIA	NSA 3

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TO : Department of State

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SEP 25 1972
DEPARTMENT OF STATE
PS/R

FROM : Amembassy TRIPOLI DATE: September 21, 1972

SUBJECT : National Oil Company Announces Formation of National Methanol Company in Partnership with Occidental

REF :

On September 12, 1972, the (Libyan) National Oil Company (NOC) announced the establishment of a national company for the production of methanol from natural gas in partnership with the Occidental Petroleum Company.

Details of the Agreement

According to an NOC statement tothe Libyan News Agency, the capital of the new company, to be called the National Methanol Company (NMC), will be $1 million; NOC will own 50 percent of the company's shares and Occidental 50 percent. The present Director of NOC's Refinery and Industrialization Department, Rajab Kawafi, will be the Chairman of the Board of the company, whose head offices will be located in Benghazi. The plant itself will have a planned capacity of 1,000 tons of methanol per day, and form part of a planned petrochemical complex at Marsa al-Brega.

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Drafted by: ECON:JRCountryman:s (9/19/72)

Contents and Classification Approved by: DCM-HGJosif

Clearances:

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The methanol plant will utilize a process patented by Imperial Chemical Industries (ICI) of the UK. International tenders will be released to a limited number of foreign contractors within the next few months.

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the plant would probably not be able to go on stream much before 1975.

COMMENT:

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This plant will represent a significant addition to Libya's petrochemical industry and may signal to the Libyan Government that Western oil companies are still willing to invest substantially in the LAR. Specifically, Oxy will be able to point to the project should Jallud again raise the question of decreasing foreign, particularly oil industry, investment in the LAR.

DECONTROL September 21, 1976.

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INFO OCT-01 EUR-20 NEA-10 CIAE-00 DODE-00 PM-08 H-02
INR-06 L-03 NSAE-00 NSC-10 P-03 RSC-01 PRS-01 SS-14
USIA-12 E-11 COM-08 COME-00 TRSE-00 INT-08 OEP-01
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R 021430Z OCT 72
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 9264
INFO AMEMBASSY BEIRUT
AMEMBASSY JIDDA

DECLASSIFICATION DATE 9/22/77
PER JC TODD OFFICE EB
EA/RC FOI CASE NO. 73a111 Hirschy

UEFW/AMEMBASSY KUWAIT 0346
AMEMBASSY LONDON
AMEMBASSY ROME

LIMITED OFFICIAL USE TRIPOLI 1578

SUBJ: NATIONAL OIL COMPANY (NOC) AND AGIP SIGN JOINT VENTURE AGREEMENT

REF: TRIPOLI 0829 Def 12-5 Libya
KROrg 75

1. SUMMARY: NATIONAL OIL COMPANY (NOC) AND AGIP HAVE SIGNED 50-50 JOINT VENTURE AGREEMENT. COMPENSATION FOR ITALCWJ INTERESTS AT BOOK VALUE. AGIP ALSO REQUIRED MARKET NOC SHARE AT HALF WAY PRICE MINUS COMMISSION. END SUMMARY.

2. LIBYAN NEWS AGENCY REPORTED SEPT 30 THAT NATIONAL OIL COMPANY AND AGIP SIGNED JOINT VENTURE CONCESSION AGREEMENT SAME DAY. MINISTER OF PETROLEUM MABRUK AND NOC DIRECTOR-GENERAL SHTAYWI SIGNED FOR LAR AND DEPUTY CHAIRMAN ENI FOR AGIP. (ASSUME DEPT HAS FULL TEXT OF LNA ANNOUNCEMENT VIA FBIS.)

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3. SALIENT POINTS OF LAN ANNOUNCEMENT REGARDING AGREEMENT AS FOLLOWS:

A) AGREEMENT IS FOR 50-50 PARTNERSHIP WITH NOC DERIVING 50 PERCENT OF NET BENEFITS AFTER TAXES, ROYALTIES AND OTHER GOVERNMENT FEES ARE PAID BY THE COMPANY, AS IS THE CASE WITH OTHER OIL COMPANIES OPERATING IN LAR;

B) AGREEMENT EMBODIES OPEC-ADOPTED PRINCIPLES;

C) COMPENSATION AT BOOK VALUE;

D) ANY CRUDE NOC CANNOT DISPOSE OF MUST BE MARKETED BY AGIP AT HALF WAY PRICE MINUS COMMISSION;

E) OPERATING COMPANY SHALL HAVE LIBYAN DIRECTOR PLUS DEPUTY MANAGER IN THE FIELD; AND

F) CONCESSIONS 100 AND 82 AFFECTED. FORMER COVERS 3,014 SQUARE KILOMETERS AND WI GRANTED TO AGIP MARCH 1966; LATTER ORIGINALLY GRANTED TO CORI (COMPAGNIA RICCERCHI IDROCABURI) NOVEMBER 1959, WITH 13,169 SQUARE KILOMETERS STILL RETAINED. (FYI: AGIP CONCESSION 101 NOT AFFECTED. IT WAS SUBJECT OF EARLIER JOINT VENTURE AGREEMENT AND IS GENERALLY CONSIDERED TO COQAIN ONLY NON-PRODUCTIVE ACREAGE. END FYI).

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A) REQUIREMENT FOR AGIP TO MARKET NOC CRUDE AT HALF WAY PRICE IS GENERALLY CONSIDERED BY REST OF INDUSTRY IJRE AS ONEROUS AND RESULT OF ITALIAN EAGERNESS TO BRING RICH CONCESSION 100 ON STREAM (RESERVES ESTIMATED AT 1,945 MILLION BARRELS);

B)[illegible] B4

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WOULD PROBABLY START PUMPING WITHIN 15 DAYS AT 150,000 BBLS/DAY; AND

C) INCLUSION OF ONLY TWO LIBYANS IN KEY MANAGEMENT SLOTS INITIAL VICTORY FOR ITALIANS BUT COULD BE NEGATED BY SUBSEQUENT LEGISLATION OR PRESSURES FROM MINISTRY OF XEPETPOLEUM AS DISTINCT FROM JOINT VENTURE PARTNER.

5. COMMENT: NOC/AGIP DEAL HAS BEEN UNDER NEGOTIATION FOR A LONG TIME. CONSIDERING ALL FACTORS, AGREEMENT PROBABLY REPRESENTS ACCEPTABLE COMPROMISE FOR BOTH PARTIES. ITALIANS HAVE BROUGHT ON STREAM RICH ACREAGE, PRESEPVING APPEARANCES OF MANAGEMENT CONTROL, WHILE LIBYANS HAVE STRENGTHENED NATIONAL OIL COMPANY AND ENFORCED FAVORABLE FORMULA FOR CRUDE MARKETING. WE UNDERSTAND FROM A NUMBER OF SOURCES THAT "OTHER ITEMS" WERE THROWN INTO BARGAINING BASKET AT LAST MINUTE BY ITALIANS. THESE COULD INCLUDE ARMS OR COMMERCIAL CONCESSIONS. REGARDING THIS LAST POINT, MINISTER OF PETPOLELH MABRUK COMMENTED TO BXY PRESIDENT ESPEY THAT ITALIANS SHOULD BE HAPPY WITH "ANY ARRANGEMENTS" REGARDING OIL BECAUSE THEY ARE DOING BETTER HERE COMMERCIALLY THAN AT ANY TIME IN THE PAST.

DECONTROL OCTOBER 2, 1976.
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